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In the Supreme Court of the United States

OCTOBER TERM, 1948

No. 478

ROSCOE H. COFFMAN, PETITIONER

v.

FEDERAL LABORATORIES, INC., RESPONDENT

UNITED STATES OF AMERICA, INTERVENOR

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINIONS BELOW

The findings of fact (except Finding 14 [1]), conclusions of law and opinion of the District Court for the Western District of Pennsylvania (R. 110-122) are reported at 73 F. Supp. 409. The opinions of the United States Court of Appeals for the Third Circuit (R. 217-233) are reported at 171 F. 2d 94.

[1] Finding 14 (R. 121-122) was made a few days after the other findings, and hence was not reported.

JURISDICTION

The judgment of the United States Court of Appeals for the Third Circuit was entered November 9, 1948 (R. 233). The petition for a writ of certiorari was filed December 23, 1948. The jurisdiction of this Court is invoked under 28 U.S.C. 1254 (1).

QUESTIONS PRESENTED

1. Whether the Royalty Adjustment Act is valid as it here affects petitioner Roscoe A. Coffman, through the issuance of Royalty Adjustment Orders W-9 and N-7 by the War and Navy Departments respectively.

2. Whether, assuming the validity of the Royalty Adjustment Act, the Act and Orders W-9 and N-7 apply to royalties unpaid at the time notices were issued to petitioner, not only for governmental uses occurring between January 1, 1943, and the date of the notices, but also for such uses occurring prior to January 1, 1943, including those which took place before the Act's enactment on October 31, 1942.

STATUTE INVOLVED

The Royalty Adjustment Act (Act of October 31, 1942, 56 Stat. 1013, 35 U.S.C. 89-96) is set out in the Appendix, *infra*, pp. 25-30.

INTEREST OF THE UNITED STATES

It having been certified to the Attorney General by the District Court for the Western District of Pennsylvania that the validity of the Royalty Ad-

justment Act had been drawn into question by this suit, the United States intervened in order to support the validity of that Act and the Royalty Adjustment Orders W-9 and N-7 issued thereunder by the War Department and Navy Department respectively. The United States takes no position as to the merits of any claims that petitioner and respondent may assert against each other, except insofar as the validity of the Royalty Adjustment Act and Orders bear thereon.

STATEMENT

By complaints filed on June 14, 1944, and April 24, 1945, respectively in the United States District Court for the Western District of Pennsylvania, petitioner, Roscoe A. Coffman, sought to recover from respondent, Federal Laboratories, Inc., patent royalties allegedly due petitioner under a basic licensing agreement dated December 8, 1932. In its first complaint, petitioner sought recovery of royalties allegedly due him from respondent for each year from 1937 through December 31, 1943, and prayed for an accounting and judgment for the amount found due (R. 1, 12-20). Respondent's answer denied many of petitioner's allegations (R. 46-51), admitted that some royalties were due on certain Navy contracts prior to December 31, 1942, as well as for 1943 (R. 51), but pleaded specially that Royalty Adjustment Orders W-9 and N-7 issued by the War and Navy Departments, respec-

tively, in December 1943, pursuant to the Royalty Adjustment Act (Appendix, *infra,* pp. 25-30), prohibited it from making these payments except in the amounts provided in the Orders (R. 52). The second complaint sought recovery of unpaid royalties for the year beginning January 1, 1944 (R. 9, 78-81). Respondent, while denying some of the allegations there made (R. 82-83), again pleaded that Orders W-9 and N-7 prohibited payment to petitioner except the maximum amount of $50,000 allowed by these Orders, which respondent admitted as being due (R. 82-83). The complaints as originally filed challenged the constitutionality of the Royalty Adjustment Act; a special three-judge court was convened and the United States was permitted to intervene; the special court struck from the complaint the anticipatory allegations of unconstitutionality, which order was affirmed by this Court on January 2, 1945. *Coffman* v. *Federal Laboratories,* 323 U.S. 325. Following the filing of answers, the question of constitutionality was at issue. 323 U.S. at 327. The two suits were consolidated on March 14, 1947 (R. 108). After hearing the evidence, the district court entered findings of fact which may be summarized as follows (R. 110-116, 121-122):

By an agreement dated December 8, 1932, petitioner, the sole owner of certain patents relating to starters for internal combustion engines and

cartridges to be used in these starters, granted respondent a non-assignable and exclusive license to make, use, and sell starters and cartridges under petitioner's patents (R. 110-111). In return for this license, respondent agreed to pay $5,000 for the first 200 devices made and a "license fee or royalty equal to six percent (6%) of the Licensee's net selling price on all devices and parts thereof sold" (R. 111).

On February 24, 1943, the Navy Department, and on March 3, 1943, the War Department gave notice to the petitioner and respondent pursuant to the Royalty Adjustment Act that the royalties provided for in this agreement were believed to be unreasonable and excessive and that until the making of an appropriate royalty adjustment order, no further royalties should be paid to petitioner (R. 112). Thereafter, the Secretary of the Navy on December 23, 1943, and the Secretary of War on December 18, 1943, issued Royalty Adjustment Orders N-7 and W-9, respectively, authorizing respondent to pay petitioner the fair and just amount of royalties there fixed, *i.e.*, $8 for each starter sold to or for either the War or Navy Department and zero royalties for parts and cartridges, "but not to exceed the sum of Fifty Thousand Dollars ($50,000) to be paid to Licensor in each calendar year commencing January 1, 1943, in respect of starters sold to or for the War Department and

Navy Department, added together" (R. 37, 41-42, 113). These Orders also directed respondent to pay the excess of royalties over the rates allowed to the Treasurer of the United States (R. 37-38, 42-43, 113-114).

Petitioner, on October 31, 1944, moved for partial summary judgment for the sums admitted to be due, as to which he claimed there was no genuine issue of any material fact (R. 114). Respondent, on November 13, 1944, filed an affidavit in opposition thereto (R. 3, 67). The court, in an order dated December 15, 1944,[2] allowed partial summary judgment in the amount of $10,516.46 for royalties due prior to January 1, 1943, $28,052.10 for royalties for 1943 and stated that "Royal[ty] Adjustment Orders W-9 and N-7 allow said amounts to be paid to [petitioner] by [respondent] and that [petitioner] is entitled to a judgment as a matter of law for that portion of his claim" (R. 114-115). This judgment has been satisfied (R. 5).

The court further found that if the Royalty Adjustment Act had not been passed and Orders W-9 and N-7 had not been issued (R. 121-122), the following additional unpaid royalties would be due to petitioner from respondent (R. 116):

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[2] This order was amended on January 23, 1945, pursuant to the stipulation of petitioner and respondent, in respects not here relevant (R. 77).

Period	Amount	Total
Jan. 1, 1937 through Oct. 30, 1942	$ 55,655.50	
Oct. 31, 1942 through Dec. 31, 1942	12,245.97	
		$ 67,901.47
Jan. 1 to Feb. 23, 1943— Navy	14,305.31	
Jan. 1 to Mar. 2, 1943— Army	2,128.09	
Feb. 24 to Dec. 22, 1943— Navy	153,819.75	
Mar. 3 to Dec. 17, 1943— Army	14,422.68	
Dec. 23 to Dec. 31, 1943— Navy	8,695.98	
Dec. 18 to Dec. 31, 1943— Army	68.38	
	193,440.19	
Civilian Sales—1943:		
Jan. 1 to Feb. 23	109.92	
Feb. 24 to Dec. 22	1,832.24	
	1,942.16	
Total for 1943		$ 195,382.35
January 1 to Dec. 31, 1944		414,545.48
Grand Total		$ 677,829.30

All sales were for government use, with the possible exception of a small item of $1,942.16, a large but indeterminate part of which the court found was also for government use. If any part thereof

was for non-government use, the evidence, the district court found, does not disclose the amount thereof (R. 116).

The district court concluded that the Royalty Adjustment Act applies to all sales for government use and that under that Act exclusive jurisdiction is conferred on the Court of Claims (R. 117).[3] It further concluded that the Royalty Adjustment Orders applied to the sales made during 1943 and 1944 and to those prior thereto for which royalties had not been paid, and that the summary judgment order of December 15, 1944, was not *res judicata* on that question (R. 117). Accordingly, regarding itself as bound by the prior decision of the Third Circuit Court of Appeals in *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 144 F. 2d 714, reversed on other grounds, 329 U. S. 129, wherein the constitutionality of the Act was sustained, the court ordered judgment for respondent (R. 121).

On appeal, the court below affirmed (R. 231, 233). It held that the Act and Orders W-9 and N-7 applied to all royalties unpaid on the dates the notices were issued, including not only unpaid royalties which had accrued since January 1, 1943, the date set in the Orders for the imposition of the $50,000 ceiling on royalties, but those which had accrued prior thereto, whether prior or subsequent to Oc-

[3] For the reason that the amounts involved exceed $10,000. 28 U. S. C. 1346(a)(2).

tober 31, 1942, when the Act was enacted (R. 224). The court referring to Rules 54 (a), (b), and 56 (d) of the Federal Rules of Civil Procedure further held that the partial summary judgment of December 15, 1944 was not *res judicata* (R. 219-224). As to petitioner's contention that the provision of Section 2, that the Court of Claims in fixing just and fair compensation, shall take into account the conditions of wartime production, "loads the Court of Claims litigation with an unconstitutional provision" (R. 225), the court stated:

> * * * we have no way of knowing ahead of time what disposition the Court of Claims will make in Coffman's case or any other. We can conceive of a case where conditions of wartime production might, in fairness, require adherence to the original license terms. Possibly a case may exist where conditions of wartime production might call for more than the price stipulated in the license agreement. Until the patentee sees what the Court of Claims is going to give him, we do not see how he is in a position to say that his wings are unconstitutionally clipped. (R. 225).

On this basis, the court held it could affirm the district court's judgment (R. 226). Since "counsel for the appellant has in complete good faith argued the case on a wider basis" (R. 226), the court, over

the objection of one of the judges,[4] went on to consider and to sustain the constitutionality of that provision; it held, citing, among others, *Lichter* v. *United States,* 334 U. S. 742 (R. 227):

> * * * The war power extends across the full breadth of the economic life of the nation, justifying price and rent control, and renegotiation of contracts for the purpose of recapturing excessive profits. Legislation purporting to minimize the cost of war by securing the necessary materials at reasonable prices is not less a part of the general war effort than the procurement of goods of war themselves. The subject-matter and purpose of the Royalty Adjustment Act are therefore clearly within the war power of Congress.

ARGUMENT

The primary question petitioner seeks to raise is the constitutionality of the provision in Section 2 of the Royalty Adjustment Act that the Court of Claims in fixing just and fair compensation shall take "into account the conditions of wartime production." But that issue, we submit, is not presented by this case, since petitioner has not invoked the Court of Claims remedy and, until it is known

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[4] While concurring in the court's judgment, one judge objected to passing on the constitutionality of this provision on the ground that the constitutional question was "not within our competence. A valid provision leaves the amount of compensation to be fixed by the Court of Claims. If that Court, in accordance with or in disregard of the questioned clause, grant 'just compensation,' no constitutional right will have been infringed" (R. 232).

what disposition that court will make of such claims, "we do not see how he is in a position to say that his wings are unconstitutionally clipped" (R. 225). The sole constitutional question actually presented here is whether the substitution of the United States as the party defendant, and the Court of Claims for a district court as the tribunal for adjudicating petitioner's claim to royalties, is within the power of Congress. In this aspect, the Act is clearly constitutional. Moreover, even on the broader constitutional question, this Court's recent decision in *Lichter* v. *United States*, 334 U. S. 742, sustaining the constitutionality of the allied Renegotiation Act, removes any doubts as to the constitutionality of the Royalty Adjustment Act in that respect. The other questions petitioner raises, *i.e.*, the scope and construction of the Act and Royalty Adjustment Orders W-9 and N-7, are subsidiary to the constitutional question and in any case were correctly decided below. In these circumstances, further review by this Court, we submit, is unwarranted.

1. *Constitutionality of the Act.* (a) Section 1 of the Royalty Adjustment Act (Appendix, *infra*, pp. 25-26) directs that after the effective date of a notice from the head of a government agency that the royalties paid under a license for a patented device manufactured, used or sold for the United States are excessive, the licensee is not to pay the licensor any royalties in excess of the amount specified in

the order of the head of the government agency as fair and just. It deprives the licensor of "any remedy * * * against the licensee for the payment of any additional royalty remaining unpaid" except for the recovery of royalties specified in the Royalty Adjustment Order. For the remedy thus taken away by Section 1, Section 2 substitutes a suit against the United States "to recover such sum, if any, as when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production."[5] Appendix, *infra,* pp. 26-27.

As here applied, the effect of the Royalty Adjustment Act through Orders W-9 and N-7 is merely to deprive the licensor of any remedy against his licensee for the payment of unpaid royalties in excess of the amount specified in these Orders, and to remit the licensor to a suit against the United States in the Court of Claims for whatever additional compensation he believes himself entitled to. Such a provision is clearly constitutional, since "The particular remedy existing at the date of the [license] may be altogether abrogated if another equally effective for the enforcement of

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[5] In this suit, "the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement." *Ibid.*

the obligation remains or is substituted for the one taken away." *Richmond Corp.* v. *Wachovia Bank,* 300 U. S. 124, 128-129; see, also, *Block* v. *Hirsch,* 256 U. S. 135, 158; *Anniston Mfg. Co.* v. *Davis,* 301 U. S. 337; *Honeyman* v. *Hanan,* 302 U. S. 375; *Honeyman* v. *Jacobs,* 306 U. S. 539, 542; *Yearsley* v. *Ross Construction Co.,* 309 U. S. 18, 22.

(b) There is no occasion in this proceeding to pass on the constitutionality of the provision in Section 2 of the Act, requiring the Court of Claims in fixing just and fair compensation, to take "into account the conditions of wartime production." It is unknown at this time what construction or effect the Court of Claims will give to that language. The Court of Claims may conceivably so construe that language as to award to petitioner an amount equal to the stipulated royalties which the Act prevents petitioner from recovering from his licensee. In these circumstances, any ruling upon these provisions of the Act would involve entering "into a purely speculative inquiry for the purpose of condemning statutory provisions which have not been tried out and the effect of which cannot now be definitely perceived." *Anniston Mfg. Co.* v. *Davis,* 301 U. S. 337, 355. Courts "will not 'anticipate a question of constitutional law in advance of the necessity of deciding it,'" and they "will not 'formulate a rule of constitutional law broader than is required by the precise facts to which it is

to be applied.' " Brandeis, J. concurring in *Ashwander* v. *Tennessee Valley Authority*, 297 U. S. 288, 346-347. See, also, *Coffman* v. *Breeze Corporations*, 323 U. S. 316; *Coffman* v. *Fed. Laboratories*, 323 U. S. 325; *Alma Motor Co.* v. *Timken Co.*, 329 U. S. 129;[6] and *Rescue Army* v. *Municipal Court*, 331 U. S. 549, 568, *et seq.*

Petitioner's contentions do not require a different result. Proceeding in the Court of Claims would not, as he urges (Pet. 34), estop him from attacking that provision. By suing in the Court of Claims he would not be seeking any license, franchise or special benefit conferred by the Act, a condition precedent to the interposition of an estoppel. *Fahey* v. *Mallonee*, 332 U. S. 245, 255; *Central Nebraska Public Power & Irr. Dist.* v. *Federal Power Commission*, 160 F. 2d 782, 784-5 (C. A. 8), certiorari denied, 332 U. S. 765. And hence "no constitutional right could have been prejudiced" by proceeding in accordance with the Act. *St. Louis, &c. R. Co.* v. *Public Comm'n*, 279 U. S. 560, 563; cf. *Lawrence* v. *St. Louis-San Francisco Ry. Co.*, 274 U. S. 588, 592; *Aircraft & Diesel Corp.* v. *Hirsch*, 331 U. S. 752; *Wade* v. *Stimson*, 331 U. S.

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[6] In the *Alma Motor* case, this Court refused to pass on constitutionality of the Act because of the presence of a nonconstitutional ground which might be dispositive of the litigation. The soundness of this approach is exemplified by the fact that the Third Circuit so resolved that litigation. *Timken-Detroit Axle Co.* v. *Alma Motor Co.*, 163 F. 2d 190.

793.[7] Nor would the limitations imposed by the sovereign immunity doctrine require, as petitioner contends (Pet. 33-34), the Court of Claims to restrict his recovery to an amount less than that to which he is constitutionally entitled. If that court should hold Section 2 of the Act unconstitutional, it could nevertheless allow the full recovery required by the Constitution under 28 U. S. C. 1491 (formerly 28 U. S. C. 250(1)), vesting general jurisdiction in the Court of Claims to entertain suits against the United States founded upon the Constitution, including suits for just compensation under the Fifth Amendment. Cf. *United States* v. *Causby*, 328 U. S. 256, 267.

(c) This Court's decision in *Lichter* v. *United States*, 334 U. S. 742, sustaining the constitutionality of the Renegotiation Acts has put to rest whatever doubts there might have been as to the constitutionality of Section 2. The Royalty Adjustment and the Renegotiation Acts are, as this Court has recognized, allied legislation (*Aircraft & Diesel Corp.* v. *Hirsch*, 331 U. S. 752, 754), and although the method of controlling excessive profits on license agreements utilized in the Royalty Adjustment Act differs somewhat from the

[7] In the *Aircraft* and *Wade* cases, this Court required contractors who sought to attack the constitutionality of Renegotiation Acts to exhaust their statutory Tax Court remedy. Similar rulings have also been issued in the case of other statutes. *Myers* v. *Bethlehem Corp.*, 303 U. S. 41, 50; *Newport News Co.* v. *Schauffler*, 303 U. S. 54, 56; *United States* v. *Ruzicka*, 329 U. S. 287, 294.

technique adopted in the Renegotiation Acts, the purpose and objective of the Acts were the same, *i.e.*, to eliminate excessive profits resulting from the conditions of wartime production.[8] Hence, since "the recovery by the Government of excessive profits received or receivable upon war contracts is in the nature of the regulation of maximum prices under war contracts" (334 U. S. at 787), the Royalty Adjustment Act, like the Renegotiation Acts, is a valid exercise of the war power, as "a law 'necessary and proper for carrying into Execution' the war powers of Congress and especially the power to support armies" (334 U. S. at 758).

Petitioner further asserts that the Royalty Adjustment Act is unconstitutional if applied to royalties accrued on sales for government use but unpaid (1) before the promulgation of Orders W-9 and N-7, (2) before the giving of the royalty adjustment notices, or (3) before the enactment of the Royalty Adjustment Act (Pet. p. 10). This contention has already been determined adversely to the petitioner in *Lichter* v. *United States, supra,* at 789, where this Court stated:

> We uphold the right of the Government to recover excessive profits on each of the contracts before us. This right exists as to such excessive profits whether they arose from con-

[8] Certiorari was granted in the *Alma Motor Co.* v. *Timken Co.*, 329 U. S. 129, before the decision in the *Lichter* case.

> tracts made before or after the passage of the Act. A contract is equally a war contract in either event and, if uncompleted to the extent that the final payment has not yet been made, the recovery of excessive profits derived from it may be authorized as has been done here.

A fortiori, the Royalty Adjustment Act may be applied validly to royalties accruing but unpaid after the enactment of the Act but before the issuance of the royalty adjustment notices or orders.[9]

2. *Construction of the Act and Orders:* (a) Contrary to petitioner's contention (Pet. 12-14, 27-31), the holding below that the Act applied to all royalties unpaid at the time of giving notice, regardless of whether the governmental uses involved occurred prior or subsequent to the Act's enactment on October 31, 1942, accords with the plain language of Section 7 of the Act. Appendix, *infra,* pp. 28-29. The phrase "already delivered" in that Section making the Act applicable to "all royalties charged or chargeable * * * to the United States for supplies, equipment, or materials *already delivered* to or for the Government which royalties have not been paid to the licensor prior

[9] Until the Court of Claims determines the scope of the provision, i.e., whether unpaid royalties for uses in 1937 and thereafter were affected by the "conditions of wartime production," the extent of the retroactivity presented by this case is unclear. This fact, we think, further illustrates that the constitutionality of Section 2 is not ripe for adjudication in the present posture of the case.

to the effective date of the notice" (italics supplied), could only refer to the deliveries occurring prior to the Act's enactment.

Reference to the legislative history of the provision confirms this construction. Section 7 originally limited the scope of the Act to royalties for materials "delivered to or for the Government from and after the date of the approval hereof" (S. Rep. No. 1640 on S. 2794, 77th Cong., 2d sess., p. 8; Hearings before House Committee on Patents, on H. R. 7620, 77th Cong., 2d sess., pp. 2, 6-7). The Senate Committee on Patents amended Section 7 to make it applicable to "all royalties * * * for * * * materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of this Act" (S. Rep. No. 1640, *supra,* p. 6). This amendment was adopted on the War Department's recommendation "to extend the application of the bill * * * to royalties unpaid at the time of enactment of the bill as well as to those which become payable thereafter" (S. Rep., *supra,* p. 5, see Hearings, *supra,* p. 20). The House Committee on Patents then converted Section 7 into its present form (H. Rep. No. 2602 on S. 2794, 77th Cong., 2d sess., p. 2). This was done for the rather obvious purpose of permitting licensees to pay royalties due without exposing themselves to the risk of double payment. The Committee made it perfectly clear, however, that it did not intend

to exempt "all royalties remaining unpaid at the date of the passage of the act," pointing out that such royalties would "be carefully scrutinized by the various interested Government departments and agencies" and would be subject to the Act if they had "not been paid to the licensor prior to the effective date of such notice" (H. Rep., *supra,* p. 3). See, also, *Timken-Detroit Axle Co.* v. *Alma Motor Co.,* 144 F. 2d 714, 718 (C.A. 3), reversed on another ground, 329 U. S. 129; cf. *Alma Motor Co.* v. *Timken-Detroit Axle Co.,* Journal of this Court, Oct. Term 1944, pp. 254-255 (May 21, 1945) (order restoring case to docket for reargument on specific questions).[10]

(b) Orders W-9 and N-7 are by their express terms applicable "on account of any manufacture, use, sale or other disposition of said alleged inventions for the Navy [War] Department heretofore occurred" (R. 37, 42). Petitioner's claims that the partial summary judgment obtained by it should have been accepted as *res judicata,* relates to the contention advanced below, but not pressed here, that Royalty Adjustment Orders W-9 and N-7 applied only to royalties accruing on and after January 1, 1943, the date set in the Orders on

[10] The statement to the contrary in *Cold Metal Process Co.* v. *McLouth Steel Corp.,* 170 F. 2d 369, 380 (C. A. 6), relied on by petitioner (Pet. 12-13, 27-28) was in connection with a minor issue in a complicated litigation in regard to the proper construction of a patent license agreement between the parties (the United States was not a party to this proceeding) and apparently without benefit of the pertinent materials.

which an overall ceiling of $50,000 per annum on royalties was to go into effect.[11] The rejection below of this claim is, we submit, sound and not in conflict with *Biggins* v. *Oltmer Iron Works*, 154 F. 2d 214 (C.A. 7).

Assuming that the district court had in its partial summary judgment construed Orders W-9 and N-7 not to apply to royalties accruing before 1943,[12] that judgment involved at most an adjudication as to only one of several claims which petitioner was asserting against respondent and which stemmed from the same basic license agreement and series of transactions. The other claims which petitioner was then asserting and against which respondent also interposed the Royalty Adjustment Orders as a defense were not at that time ripe for adjudication inasmuch as respondent was relying on additional defenses as well. In these cir-

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[11] In the court below, petitioner, relying principally on the clause "but not to exceed the sum of Fifty Thousand ($50,000) Dollars to be paid to Licensor in each calendar year commencing January 1, 1943 * * *" in the Orders urged that properly construed, Orders W-9 and N-7 applied to only those royalties which accrued after January 1, 1943. The court below held, and respondent does not now question that holding, that January 1, 1943, merely marked the date on which the fifty thousand dollar limitation became effective, and the Orders applied to all royalties accrued but unpaid on the date of the notice, including royalties accrued prior to January 1, 1943 (R. 224).

[12] As the court below points out, it is not clear that the district court's grant of partial summary judgment was based on this construction of the Royalty Adjustment Orders (R. 220).

cumstances, the interpretation embodied in the partial summary judgment did not involve a definitive and final construction of the Royalty Adjustment Orders, applicable to all claims for unpaid royalties accruing before January 1, 1943, and which, if erroneous, would be corrected only by way of appeal.

Indeed, the order could not have been appealed, at least, as far as the United States was concerned, since it was not a judgment within the meaning of Rule 54(a) of the Federal Rules,[13] nor does it satisfy the requirements of Section 128 of the Judicial Code, 28 U.S.C. 1291 (formerly 28 U.S.C. 225(a)) relating to appeals. *Biggins* v. *Oltmer Iron Works*, 154 F. 2d 214 (C.A. 7). On the contrary, as is clear from the language of Rules 54(b), 56(d) of the Federal Rules of Civil Procedure, the order, its designation to the contrary notwithstanding (cf.

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[13] Sec. 128 of Judicial Code permits appeals of a "final decision" which generally is one ending the litigation on the merits and leaving nothing for the Court to do but execute the judgment. See *Catlin* v. *United States*, 324 U. S. 229, 233, where this Court took a stand against "piecemeal litigation." Moreover, although Rule 54(a) defines judgment as "any order from which an appeal lies," and separate appeals may in some instances be taken, the claims in those situations are separate and distinct, based on differing occurrences or transactions. *Canister Co.* v. *National Can Corp.*, 163 F. 2d 683 (C. A. 3). The matter involved in the partial summary judgment here does not meet these requirements. Cf. *Canister Co.* v. *National Can Corp., ibid; Petrol Corp.* v. *Petroleum Heat & Power Co., Inc.*, 162 F. 2d 327, 329 (C. A. 2); see Advisory Committee's Note to F. R. 54(b) (June, 1946), pp. 70-72.

Biggins v. *Oltmer Iron Works, supra*), was "merely a pretrial adjudication that certain issues in the case shall be deemed established for the trial of the case." See *Leonard* v. *Socony-Vacuum Oil Co.*, 130 F. 2d 535, 536 (C.A. 7) quoting 3 Moore's Federal Practice (1st ed., 1938) 3190; Advisory Committee's Note to F. R. 56(d) (June 1946), pp. 74-75.[14] Such a partial summary judgment order is only provisional, not final; it is expressly subject to modification at the trial to prevent manifest injustice. *Audi Vision, Inc.* v. *RCA Mfg. Co.*, 136 F. 2d 621, 625 (C.A. 2); cf. *Toomey* v. *Toomey*, 149 F. 2d 19 (C. A. D. C.). Accordingly, the preliminary adjudication made in the so-called partial summary judgment is not *res judicata* even as to the matters so adjudicated, let alone other matters in the same proceeding involving the same issues. The district court retains the full power to make one complete adjudication on all

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[14] Rule 54(b) as recently amended emphasizes the provisional nature of such an order. It explicitly provides:

"When more than one claim for relief is presented in an action * * *, the court may direct the entry of a final judgment upon one or more but less than all of the claims only upon an express determination that there is no just reason for delay and upon an express direction for the entry of judgment. In absence of such determination and direction, any order or other form of decision, however designated, which adjudicates less than all the claims shall not terminate the action as to any of the claims, and the order or other form of decision is subject to revision at any time before the entry of judgment adjudicating all the claim."

aspects of the case when the proper time arrives, including review of preliminary determinations previously made. Cf. *Audi Vision, Inc.* v. *RCA Mfg. Co., ibid.*

Biggins v. *Oltmer Iron Works,* 154 F. 2d 214 (C.A. 7) is not, contrary to petitioner's assertion (Pet. 17-19, 36-37), in conflict with the foregoing. The Seventh Circuit there expressly recognized the provisional preliminary nature of a partial summary judgment, but regarded itself confronted with a practical dilemma. In that case, "execution was ordered upon the instant judgment and no doubt defendant's property was subject to seizure in satisfaction thereof. At the same time, part of plaintiff's claim remains in litigation" (154 F. 2d at 217). If the court there refused to review the partial summary judgment until final disposition of the case, the defendant's property would be gone by that time, and hence "defendant's right of review," the court noted, "would be of doubtful value." (154 F. 2d at 218). Accordingly, in order to solve this practical problem not contemplated by the Federal Rules of Civil Procedure, the Seventh Circuit denied the motion to dismiss the appeal. The practical solution to the dilemma confronting the Seventh Circuit does not, we submit, create a conflict with the holding below calling for an authoritative ruling by this Court.

CONCLUSION

The decision below is correct and accords with the rulings of this Court on related matters. It is respectfully submitted, therefore, that the petition for a writ of certiorari should be denied.

PHILIP B. PERLMAN,
Solicitor General.
H. G. MORISON,
Assistant Attorney General.
PAUL A. SWEENEY,
MELVIN RICHTER,
Attorneys.

FEBRUARY, 1949.

APPENDIX

The Royalty Adjustment Act of October 31, 1942 (56 Stat. 1013, 35 U. S. C. 89-96) reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, to aid in the successful prosecution of the War, whenever an invention, whether patented or unpatented, shall be manufactured, used, sold or otherwise disposed of for the United States, with license from the owner thereof or anyone having the right to grant licenses thereunder, and such license includes provisions for the payment of royalties the rates or amounts of which are believed to be unreasonable or excessive by the head of the department or agency of the Government which has ordered such manufacture, use, sale, or other disposition, the head of the department or agency of the Government concerned shall give written notice of such fact to the licensor and to the licensee. Within a reasonable time after the effective date of said notice, in no event less than ten days, the head of the department or agency of the Government concerned, shall by order fix and specify such rates or amounts of royalties, if any, as he shall determine are fair and just, taking into account the conditions of wartime production, and shall authorize the payment thereof by the licensee to the licensor on account of such manufacture, use, sale, or other disposition: *Provided, however,* That the licensee or licensor, if he so requests within ten days from and after the effective date of said notice, may within thirty days

from the date of such request present in writing or in person any facts or circumstances which may, in his opinion, have a bearing upon the rates or amounts of royalties, if any, to be determined, fixed and specified as aforesaid, and any order fixing and specifying the rates and amounts of royalties shall be issued within a reasonable time after such presentation. Such licensee shall not after the effective date of said notice pay to the licensor, nor charge directly or indirectly to the United States a royalty, if any, in excess of that specified in said order on account of such manufacture, use, sale, or other disposition. The licensor shall not have any remedy by way of suit, set-off or other legal action against the licensee for the payment of any additional royalty remaining unpaid, or damages for breach of contract or otherwise, but such licensor's sole and exclusive remedy, except as to the recovery of royalties fixed in said order, shall be as provided in section 2 hereof. Written notice as provided herein shall be mailed to the last known address of the licensor and licensee and shall be effective upon receipt or five days after the mailing thereof, whichever date is the earlier.

SEC. 2. Any licensor aggrieved by any order issued pursuant to section 1 hereof, fixing and specifying the maximum rates or amounts of royalties under a license issued by him, may institute suit against the United States in the Court of Claims, or in the District Courts of the United States insofar as such courts may have concurrent jurisdiction with the Court of

Claims, to recover such sum, if any, as when added to the royalties fixed and specified in such order, shall constitute fair and just compensation to the licensor for the manufacture, use, sale, or other disposition of the licensed invention for the United States, taking into account the conditions of wartime production. In any such suit the United States may avail itself of any and all defenses, general or special, that might be pleaded by a defendant in an action for infringement as set forth in title sixty of the Revised Statutes, or otherwise.

SEC. 3. The head of any department or agency of the Government which has ordered the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, and whether or not an order has been issued in connection therewith pursuant to section 1 hereof, is authorized and empowered to enter into an agreement, before suit against the United States has been instituted, with the owner or licensor of such invention, in full settlement and compromise of any claim against the United States accruing to such owner or licensor under the provisions of this Act or any other law by reason of such manufacture, use, sale, or other disposition, and for compensation to be paid such owner or licensor based upon future manufacture, use, sale, or other disposition of said invention.

SEC. 4. Whenever a reduction in the rates or amounts of royalties is effected by order, pursuant to section 1 hereof, or by compromise or settlement, pursuant to section 3 hereof, such

reduction shall inure to the benefit of the Government by way of a corresponding reduction in the contract price to be paid directly or indirectly for such manufacture, use, sale, or other disposition of such invention, or by way of refund if already paid to the licensee.

SEC. 5. The head of the department or agency of the Government concerned is further authorized, in his discretion and under such rules and regulations as he may prescribe, to delegate and provide for the delegation of any power and authority conferred by this Act to such qualified and responsible officers, boards, agents, or persons as he may designate or appoint.

SEC. 6. For the purposes of this Act, the manufacture, use, sale, or other disposition of an invention, whether patented or unpatented, by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government shall be construed as manufacture, use, sale, or other disposition for the United States and for the purposes of the Act of June 25, 1910, as amended (40 Stat. 705; 35 U. S. C. 68), the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

SEC. 7. This Act shall apply to all royalties

directly or indirectly charged or chargeable to the United States for any supplies, equipment, or materials to be delivered to or for the Government from and after the effective date of the notice provided for in section 1 hereof. This Act shall also apply to all royalties charged or chargeable directly or indirectly to the United States for supplies, equipment, or materials already delivered to or for the Government which royalties have not been paid to the licensor prior to the effective date of the notice provided for in section 1 hereof. Sections 1 and 2 of this Act shall remain in force only during the continuance of the present war and for six months after the termination thereof, except that as to rights accrued or liabilities incurred prior to termination thereof, the provisions of this Act shall be treated as remaining in force and effect for the purpose of settling, sustaining, qualifying, or defeating any suit or claim hereunder.

SEC. 8. The head of each department or agency of the Government may issue such rules and regulations and require such information as may be necessary and proper to carry out the provisions of this Act. The provisions of section 10 (*l*) of an Act approved July 2, 1926 (44 Stat. 787), as amended, and title XIII of Public Law 507, Seventy-seventh Congress, shall be applicable to the owner, licensor, or licensee of an invention, whether patented or unpatented, manufactured, used, sold, or otherwise disposed of for the United States,

and the term "defense contract" as used in said Act shall mean and include an agreement for the payment of royalty, regardless of the date of such agreement, under or by virtue of which royalty is directly or indirectly paid by the Government or included within the contract price for property sold to or manufactured for the Government.

SEC. 9. Nothing herein contained shall be deemed to preclude the applicability of Section 403 of Public Law 528, Seventy-seventh Congress, as the same may be heretofore or hereafter amended so far as the same may be applicable.

SEC. 10. If any provision of this Act or the application of any provision to any person or circumstances shall be held invalid, or if any provision of this Act shall be inoperative by its terms, the validity or applicability of the remainder of the Act shall not be affected thereby.

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